

Contact: Jean Friedrich

**IOWA STATE UNIVERSITY PROPOSED PROPERTY PURCHASE**

**Action Requested:** Consider recommending, for the benefit of Iowa State University:

1. Approval of the purchase of property located at 925 Airport Road, Ames, Iowa, from Van Houweling Property Inc. at a cost of \$1,400,000 and a waiver of Board Policy 9.02 C.2 (conveyance of real estate for monetary consideration based on appraisal), subject to approval of the final documents by the Board Office and Attorney General's Office.
2. Authorization for the Executive Director and/or University Senior Vice President for Business and Finance to execute any ancillary contracts or documents necessary for this transaction.

**Executive Summary:** Iowa State University requests approval to purchase property at 925 Airport Road in Ames, Iowa, consisting of a 5.05 acre rectangular lot and building located on the north side of Airport Road between Duff Avenue and University Boulevard and adjacent to an existing University Central Stores storage facility immediately to the west. This particular location, which was previously a John Deere implement dealership, uniquely meets a series of critical University needs including support and growth of the ISU Research Park located immediately to the south; it is also located in close proximity to the central campus. See Attachment A for a map of the location.

In December 2014, the Board approved an expanded lease by Harrisvaccines, Inc. in the adjacent University Central Stores facility; the firm now occupies almost half of that building and could see further expansion. As a successful Iowa high technology startup company, the University wants to cooperate in the firm's growth and development. The firm was recently granted USDA licensure to produce a Porcine Epidemic Diarrhea Virus vaccine which is critical to the pork industry. The ability to continue to expand in Iowa is dependent upon having adequate USDA approved research and production space.

In providing additional space for the expansion, the University needs additional warehouse and storage space to support the Research Park and campus growth. There are operating efficiencies and improved land use by owning these two facilities adjacent to each other.

Planned use for the facility is to:

- Replace lost warehouse space resulting from Harrisvaccines, Inc. expansion.
- Provide space for ISU Theatre props and costumes, resulting from razing of Old Industrial Education Building on north side of campus.
- Provide a potential central receiving facility to reduce campus traffic and congestion associated with growing enrollment.
- Provide potential warehouse storage and outdoor space to accommodate ISU Research Park expansion.
- Provide storage space for Nature Connects Lego exhibits between installations. (Critical to generating \$2-3 million dollars for the benefit of Reiman Gardens over the next several years.)
- Control development of land in the proximity of the ISU Research Park.
- Utilize paved parking on site for seasonal car/truck rental vehicles, freeing up parking spaces on campus.

The University anticipates that the annual operating costs will be less than \$40,000 per year to be funded by Central Stores from additional rental income from the Harrisvacinnes, Inc. leases.

The purchase price for the facility and 5.05 acres of land is \$1,400,000 and would be funded from Overhead Use of Facility funds. Increased rent from the Harrisvacinnes, Inc. space in the Central Stores Facility of over \$150,000 per year should be able to repay a portion of the financing.

The University requests a waiver of the Board policy that property be purchased at no more than the highest appraisal, or not more than 5 percent over the average of two appraisals, whichever is the lower figure. Two appraisals have been completed and are based upon the traditional cost, sales and income appraisal approaches for a warehouse property, but do not reflect land transactions occurring in this area of Ames. In the University's negotiations with the owner, he indicated turning down offers in excess of \$1.5 million. The \$1.4 million purchase price is the lowest price he is willing to accept.

To assist in establishing a fair market price, the University requested the Nyemaster law firm, which is actively involved in real estate transactions, to gather data on property value patterns in this area. The firm identified at least five additional transactions and concluded that the land value in this area is \$4 to \$5 per square foot. The City of Ames Assessor's data would also support these values. Using these estimates, the land value of the 5.05 acres is \$880,000 to \$1,100,000. Based upon the appraised building value of \$450,000 and the updated land values, the current property is worth between \$1.3 and \$1.6 million which supports the proposed purchase price of \$1.4 million.

Additional information is available from the Board Office.

